

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

SOUTHERN LINKS TRAILWAY MANAGEMENT COUNCIL

FINANCIAL STATEMENTS

February 28, 2007

SOUTHERN LINKS TRAILWAY MANAGEMENT COUNCIL

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INDEPENDENT AUDITORS' REPORT

To the Members of the Council
Southern Links Trailway Management Council
Millington, Michigan

We have audited the accompanying basic financial statements of the Southern Links Trailway Management Council, as of and for the year ended February 28, 2007 as listed in the table of contents. These financial statements are the responsibility of Southern Links Trailway Management Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Links Trailway Management Council, as of February 28, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Southern Links Trailway Management Council has not presented a Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

April 25, 2007

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

February 28, 2007

	<u>Governmental</u> <u>Fund</u>	<u>Adjustments</u> <u>(Note 6)</u>	<u>Statement of</u> <u>Net Assets</u>
Assets:			
Cash and cash equivalents	\$ 2,140	\$ -	\$ 2,140
Capital assets:			
Nondepreciable capital assets	<u>-</u>	<u>719,180</u>	<u>719,180</u>
 Total assets	<u><u>\$ 2,140</u></u>	<u><u>719,180</u></u>	<u><u>721,320</u></u>
 Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	<u>1,667</u>	<u>-</u>	<u>1,667</u>
 Total liabilities	<u><u>1,667</u></u>	<u><u>-</u></u>	<u><u>1,667</u></u>
 Fund Balance:			
Unreserved	<u>473</u>	<u>(473)</u>	<u>-</u>
 Total fund balance	<u><u>473</u></u>		
 Total liabilities and fund balance	<u><u>\$ 2,140</u></u>		
 Net assets:			
Invested in capital assets		719,180	719,180
Unrestricted		<u>473</u>	<u>473</u>
 Total net assets		<u><u>\$ 719,653</u></u>	<u><u>\$ 719,653</u></u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2007

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 6)</u></i>	<i><u>Statement of Activities</u></i>
Revenues:			
Contributions from participating units	\$ 7,500	\$ -	\$ 7,500
State grants	500,000	-	500,000
Contributions and donations	<u>214,739</u>	<u>-</u>	<u>214,739</u>
Total revenues/program revenues	<u>722,239</u>	<u>-</u>	<u>722,239</u>
Expenditures/Expenses:			
Recreation:			
Operations	4,421	-	4,421
Capital outlay	<u>719,180</u>	<u>(719,180)</u>	<u>-</u>
Total expenditures/expenses	<u>723,601</u>	<u>(719,180)</u>	<u>4,421</u>
Excess of revenues over (under) expenditures/expense:	(1,362)	719,180	717,818
Fund balance/net assets, beginning of year	<u>1,835</u>	<u>-</u>	<u>1,835</u>
Fund balance/net assets, end of year	<u>\$ 473</u>	<u>\$ 719,180</u>	<u>\$ 719,653</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southern Links Trailway Management Council conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The Southern Links Trailway Management Council was created in May, 2003 under the provisions of the Urban Cooperation ACT of 1967, 1967 PA 7, as amended ("Act 7), and Part 721 of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended ("ACT 451"), by and between the City of Vassar, Townships of Forest, Marathon, and Millington; the Villages of Millington, Otter Lake, and Columbiaville, for the purpose of establishing and providing the powers and duties of the Southern Links Trailway Management Council (the "Council") The Council was created to operate and maintain the Southern Links Trailway. The governing body of the Council is made up of two voting representatives from each municipality for a total of fourteen council members.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 these financial statements of the Council include all activities for which the Council has oversight responsibility. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the statements would be misleading if data were not included. The Council has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Council's financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The Council engages in only governmental type activities.

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is uncured, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

SOUTHERN LINKS TRAILWAY MANAGEMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

Assets, Liabilities and Equity:

Deposits – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired.

Capital Assets – Purchased capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Council defines capital assets as assets with an initial individual cost in excess of \$1,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Council currently has no depreciable capital assets.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Council is in accordance with Public Act 196 of 1997. The Council's deposits and investments have been made in accordance with statutory authority.

The Council's deposits are subject to custodial risk, which is presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to them. The Council does not have a deposit policy for custodial credit risk. At year end, the Council had \$58,792 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$58,792 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

SOUTHERN LINKS TRAILWAY MANAGEMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

NOTE 3: RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. Each member unit of the Council is responsible for purchasing insurance to cover any potential claims associated with these risks associated with the portion of the railway that lies within their boundry.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended February 28, 2007 was as follows:

	<i>Balance March 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance February 28, 2007</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ -	\$ 719,180	\$ -	\$ 719,180

NOTE 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Uniform Budgetary and Accounting Act, PA 2 of 1968, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Council incurred no expenditures which were in excess of the amounts appropriated.

NOTES TO FINANCIAL STATEMENTS, continued

February 28, 2007

NOTE 6: RECONCILIATION OF FUND AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

- A. Reconciliation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets.

Fund balance, February 28, 2007	\$ 473
Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements	
Add – capital assets	<u>719,180</u>
Net assets, March 31, 2006	<u>\$ 719,653</u>

- B. Reconciliation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of net activities.

Net changes increase (decrease) in fund balance – modified accrual, for the year ended February 28, 2007	\$ (1,362)
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	<u>719,180</u>
Change in net assets, for year ended February 28, 2007	<u>\$ 717,818</u>

REQUIRED SUPPLEMENTAL INFORMATION

SOUTHERN LINKS TRAILWAY MANAGEMENT COUNCIL

OPERATING FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Contributions from other units	-	7,500	7,500	-
Other revenue	-	215,159	214,739	(420)
Total revenues	500,000	722,659	722,239	(420)
Expenditures:				
Current				
Recreation	-	4,564	4,421	(143)
Capital outlay	500,000	719,180	719,180	-
Total expenditures	500,000	723,744	723,601	(143)
Excess (deficiency) of revenues over expenditures	-	(1,085)	(1,362)	(277)
Fund balance, beginning of year	1,835	1,835	1,835	-
Fund balance, end of year	<u>\$ 1,835</u>	<u>\$ 750</u>	<u>\$ 473</u>	<u>\$ (277)</u>